

ORDINANCE No. 174241

* Restate Master Water System Revenue Bond Ordinance and authorize Water System Revenue Bonds, 2000 Series A (Ordinance)

The City of Portland Ordains:

Section 1. The Council Finds:

1. The City is authorized under Section 12-201 of the City Charter to issue revenue bonds to finance utility plant or property which is owned and operated by the City and is intended to produce revenues. Section 12-201 of the City Charter requires such bonds to be authorized by an ordinance which is subject to referendum. The City has adopted Ordinance No. 173611, adopted on August 4, 1999, which authorizes the City to issue up to \$35,000,000 of water revenue bonds. More than 30 days have passed since that ordinance was adopted, and no petitions were filed to refer that ordinance.
2. The City has previously enacted Ordinance No. 166992, which amends and restates Ordinance No. 166756, and which provides the terms under which the City may issue bonds and other obligations which are secured by the revenues of the City's Water System.
3. The City has previously issued Water System Revenue Bonds, Series 1993 pursuant to Ordinance No. 166992, Water System Revenue Bonds, Series 1995 pursuant to Ordinance No. 169398, and Water System Revenue Bonds, 1997 Series A pursuant to Ordinance No. 171743. These bonds were issued as Parity Obligations under Ordinance No. 166992.
4. The City now finds it advantageous to issue its Water System Revenue Bonds, 2000 Series A, pursuant to the authority of Section 12-201 of the City Charter, and in accordance with Ordinance No. 166992.
5. The Water System Revenue Bonds, 2000 Series A shall be issued as Parity Obligations under Ordinance No. 166992. Prior to issuing the Water System Revenue Bonds, 2000 Series A, the Director of the Bureau of Financial Planning of the City, the designee of the Director of the Bureau of Financial Planning of the City, the Debt Manager or the designee of the Debt Manager shall confirm that the requirements of Section 6 of Ordinance No. 166992 have been satisfied.
6. The City also now finds it advantageous to amend and restate Ordinance No. 166992 in order to consolidate the terms of its Water System Revenue Bonds, Series 1993, Water System Revenue Bonds, Series 1995, Water System Revenue Bonds, 1997 Series A and the Water System Revenue Bonds, 2000 Series A authorized by this ordinance.

NOW, THEREFORE, the Council directs:

A. Definitions

Capitalized terms used in this Master Ordinance shall have the following meanings unless the context clearly requires use of a different meaning:

"Annual Debt Service" means the amount required to be paid in a Fiscal Year of principal and interest on any Outstanding Bonds, calculated as follows:

1. Interest which is to be paid from Bond Proceeds shall be subtracted;
2. City Payments to be made in the Fiscal Year under a Parity Derivative Product shall increase Annual Debt Service, and Reciprocal Payments to be received in the Fiscal Year under a Parity Derivative Product shall reduce Annual Debt Service;
3. Bonds which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be outstanding on the final maturity date shall be treated as maturing on that date;
4. Bonds which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates; and
5. Variable Rate Obligations bear interest from the date of computation until maturity at their Estimated Average Interest Rate.

"Audit" means the audit required by ORS 297.425.

"Auditor" means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

"Base Period" means any twelve consecutive months selected by the City out of the most recent twenty-four months preceding the delivery of a Series of Parity Obligations.

"BEO" means "book-entry-only" and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

"Bond Counsel" means a law firm having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

"Bondowner" or "Owner" means a registered owner of a Bond.

"Bonds" means, the Series 1993 Bonds, the Series 1995 Bonds, the 1997 Series A Bonds, the 2000 Series A Bonds, and any Parity Obligations.

"Business Day" means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

"Capital Charges" means all systems development charges, assessments for local improvements and similar charges which have been imposed on persons or property to recover capital related costs of the Water System, and which are deposited in the Water Enterprise Fund.

"Capital Charge Revenues" means all Capital Charges except Committed Capital Charges.

"Capital Charge Obligations" means obligations which are secured by Capital Charges, and for which the City has made an election, in accordance with Section 1.D.4., to treat the net proceeds of the obligations as a Gross Revenue.

"Capital Charge Proceeds" means the net proceeds of Capital Charge Obligations. For purposes of this definition, "net proceeds" means the proceeds of the Capital Charge Obligations available to be deposited in the Water Enterprise Fund and used as Gross Revenues, after payment of costs of issuance, credit enhancement fees, accrued and capitalized interest, and similar costs, and funding of reserves.

"Charter General Obligation Bond Account" means the Charter General Obligation Bond Account in the Sinking Fund described in Section 1.C.5 of this Master Ordinance.

"City Council" means the City Council of the City, or its successors.

"City Payment" means any scheduled payment required to be made by or on behalf of the City under a Derivative Product which is either fixed in amount or is determined according to a formula set forth in the Derivative Product.

"City" means the City of Portland, Multnomah, Washington and Clackamas Counties, Oregon, a municipal corporation of the State of Oregon.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated thereunder.

"Committed Capital Charges" means Capital Charges which secure Capital Charge Obligations. For purposes of this definition, committing to pay obligations from Net Revenues shall not be treated as securing the obligations with Capital Charges, and Capital Charges which would otherwise be part of Gross Revenues shall not become Committed Capital Charges merely because Net Revenues are pledged to pay obligations.

"Construction Fund" means the Water Construction Fund in the Water Enterprise Fund, which the City has created to hold proceeds of bonds and other revenues related to capital improvements.

"Credit Facility" means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Bonds, and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) are

rated one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility.

"Credit Provider" means a person or entity providing a Credit Facility.

"Derivative Product" means a written contract between the City and a Reciprocal Payor under which the City is obligated to pay the City Payments in exchange for the Reciprocal Payor's obligation to pay Reciprocal Payments, and which provides that the Reciprocal Payments are to be deposited directly into the Revenue Bond Account and that the City is not required to fulfill its obligations under the contract if:

1. the Reciprocal Payor fails to make any Reciprocal Payment; or
2. the Reciprocal Payor fails to comply with its financial status covenants.

"Direct Obligations" means direct obligations of the United States, and any obligations the payment of which is fully and unconditionally guaranteed by the United States.

"Director" means the permanent or acting Director of the Office of Finance and Administration, the permanent or acting Director of the Bureau of Financial Management or the permanent or acting Debt Manager of the City or a person designated by the permanent or acting Director of the Office of Finance and Administration, the permanent or acting Director of the Bureau of Financial Management of the City or the permanent or acting Debt Manager of the City to act as Director.

"DTC" means The Depository Trust Company or any other qualified securities depository designated by the City as its successor.

"Estimated Average Interest Rate" means:

1. For Outstanding Bonds during any period in which they are Variable Rate Obligations:
 - a. If the Variable Rate Obligations have been Outstanding for a period of 12 months or more, the weighted average rate of interest applicable to such Bonds during the immediately preceding 12 month period; or
 - b. If the Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the higher of:
 - (i) The most current actual interest rate on the Variable Rate Obligations; or
 - (ii) 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*; and

2. For Bonds which have been authorized but not yet been issued, 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

"Event of Default" means any event specified in Section 1.I.2 of this Master Ordinance.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by State Law.

"Fitch" means Fitch Investors Service, Inc., its successors and assigns.

"Gross Revenues" means all revenues, fees and charges, including Capital Charge Revenues and Capital Charge Proceeds, and other revenues resulting from the operation of the Water System, including revenues from product sales and interest earnings on Gross Revenues in the Water Enterprise Fund. However, the term "Gross Revenues" does not include:

1. The interest income or other earnings derived from the investment of the Rebate Fund or any escrow fund established for the defeasance or refunding of outstanding indebtedness of the City;
2. Committed Capital Charges;
3. Any gifts, grants, donations or other moneys received by the City from any State or Federal Agency or other person if such moneys are restricted by law or the grantor to uses inconsistent with the payment of Bonds;
4. The proceeds of any borrowing (other than Capital Charge Proceeds);
5. The proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues);
6. The proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Water System;
7. The proceeds derived from the sales of assets pursuant to Section 1.H.8 of this Master Ordinance;
8. Any ad valorem or other taxes imposed by the City (except charges or payments for Water System services which become "taxes" within the meaning of Article XI, Section 11b of the Oregon Constitution only because they are imposed on property);

9. Any income, fees, charges, receipts, profits or other moneys derived by the City from its ownership or operation of any Separate Utility System.

"Interest Payment Date" means any date on which Bond interest is scheduled to be paid, and any date on which Bonds are called for redemption.

"Master Ordinance" means this Ordinance.

"Maximum Annual Debt Service" means the greatest Annual Debt Service, calculated on all Bonds which are Outstanding on the date of calculation.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

"Net Revenues" means the Gross Revenues less the Operating Expenses.

"Operating Expenses" means all costs which are properly treated as expenses of operating and maintaining the Water System under generally accepted accounting principles, including lease payments described in Section 1.H.9. However, Operating Expenses do not include:

1. Any rebates or penalties paid from Gross Revenues under Section 148 of the Code;
2. Payments of judgments against the City and payments for the settlement of litigation;
3. Depreciation and amortization of property values or losses, and all amounts treated for accounting purposes as payments for capital expenditures;
4. Debt service payments;
5. The expenses of owning, operating or maintaining any Separate Utility System; or
6. Franchise fees and similar charges imposed by the City on the Water System or its operations.

"ORS" means the Oregon Revised Statutes.

"Outstanding" refers to all Bonds authorized and delivered pursuant to this Master Ordinance and any Supplemental Ordinance except Bonds theretofore canceled or defeased pursuant to Section 1.K of this Master Ordinance, and Bonds which have matured and not been presented for payment (provided sufficient funds to pay those Bonds have been transferred to the Paying Agent).

"Parity Derivative Product" means a Derivative Product which qualifies as a Parity Obligation in accordance with Section 1.E.5.

"Parity Obligation" means any obligation payable from the Net Revenues which is issued in accordance with Section 1.E, and includes any Parity Derivative Product.

"Payment Date" means a Principal Payment Date or an Interest Payment Date.

"Permitted Investments" means any investments which the City is permitted to make under the laws of the State.

"Principal Payment Date" means any date on which any Bonds are scheduled to be retired, whether by virtue of their maturity or by mandatory sinking fund redemption prior to maturity, and the redemption date of any Bonds which have been called for redemption.

"Project" means any purpose for which Gross Revenues may be spent.

"Qualified Consultant" means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in this Master Ordinance or any Supplemental Ordinance.

"Rate Stabilization Account" means the Rate Stabilization Account of the Water Enterprise Fund established which is described in Section 1.C.6.

"Rating Agency" means Fitch, Moody's, S&P, or any other nationally recognized financial rating Agency which has rated Outstanding Bonds or a Credit Facility at the request of the City.

"Reciprocal Payment" means scheduled payment to be made to, or for the benefit of, the City under a Derivative Product by or on behalf of the Reciprocal Payor, which is either fixed in amount or is determined according to a formula set forth in the Derivative Product.

"Reciprocal Payor" means a party to a Derivative Product (other than the City) that is obligated to make one or more Reciprocal Payments thereunder, and which has at least an investment grade rating from a Rating Agency for its obligations under the Derivative Product.

"Record Date" for the Bonds means the fifteenth (15th) day of the month preceding the month in which each Interest Payment Date occurs, whether or not a Business Day.

"Registrar" means the registrar and paying agent for the Bonds, which is U.S. Bank Trust National Association on the date of adoption of this Master Ordinance.

"Reserve Credit Facility" means a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement, under which the Credit Provider agrees to unconditionally provide the City with funds to transfer to the Revenue Bond Reserve Account if amounts are required to be withdrawn from that account for deposit in the Revenue Bond Account.

"Reserve Requirement" means the lesser of Maximum Annual Debt Service on all Outstanding Bonds or the amount described in the next sentence. If, at the time of issuance of a Series of Bonds, the amounts required to be added to the Revenue Bond Reserve Account to make the balance in the Revenue Bond Reserve Account equal to the Maximum Annual Debt Service exceeds the Tax Maximum calculated with respect to such Bonds, then the Reserve Requirement means the Reserve Requirement in effect on the date of issuance of the Series of Bonds (calculated as if the Series of Bonds were not Outstanding), plus the Tax Maximum for the Series of Bonds. However, the City may elect to fund the Reserve Requirement for any Series of Bonds in equal annual installments over a period of five years, as provided in Section 1.C.3.g. If the City makes this election for a Series of Bonds, the Reserve Requirement shall be reduced by any installments the City has elected to make, but which are not yet due to be deposited in the Revenue Bond Reserve Account.

"Revenue Bond Account" means the Revenue Bond Account described in Section C.2 of this Master Ordinance.

"Revenue Bond Reserve Account" means the Revenue Bond Reserve Account in the Sinking Fund described in Section 1.C.3 of this Master Ordinance.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns.

"Separate Utility System" means any utility property which is declared by the City Council to constitute a system which is distinct from the Water System in accordance with Section 1.G.

"Series 1993 Bonds" means the City's Water System Revenue Bonds, Series 1993, issued pursuant to this Ordinance No. 166992.

"Series 1995 Bonds" means the City's Water System Revenue Bonds, Series 1995, issued pursuant to Ordinance No. 169398.

"Series," refers to all Bonds or Parity Obligations authorized by a single ordinance and delivered in exchange for payment on the same date, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" means the Water Bond Sinking Fund in the Water Enterprise Fund, which the City has created to provide for the repayment of bonded debt and the interest on bonded debt.

"State" means the State of Oregon.

"Subordinate Obligations Account" means the Subordinate Obligations Account of the Water Enterprise Fund which is described in Section 1.C.4.

"Subordinate Obligations" means obligations having a lien on the Net Revenues which is subordinate to the lien of the Bonds. Restrictions on Subordinate Obligations are described in Section 1.F.

"Supplemental Ordinance" means any Ordinance which supplements or amends this Master Ordinance, entered into by the City in compliance with Section 1.J.

"Tax Maximum" means, for any Series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such Series during all Fiscal Years in which such Series will be Outstanding, calculated as of the date of issuance of such Series; or, ten percent of the proceeds of such Series, as "proceeds" is defined for purposes of Section 148(d) of the Code.

"Valuation Date" means July 1 of each year (or the first Business Day thereafter, if July 1 is not a Business Day), and the Business Day following any transfer from the Revenue Bond Reserve Account to the Revenue Bond Account pursuant to Section 1.C.3.a.

"Variable Rate Obligations" means any Bonds issued with a variable, adjustable, convertible, or other similar interest rate which changes during the term of the Bonds, and any City Payments or Reciprocal Payments under a Parity Derivative Product for which the interest portion of the payment is based on a rate that changes during the term of the Derivative Product.

"Water Enterprise Fund" means the collection of funds and accounts used by the City to hold the Gross Revenues and the proceeds of Bonds; it currently includes the Water Operating Fund, the Construction Fund, the Sinking Fund, the Washington County Supply Sinking Fund, and the Water Growth Impact Trust Fund.

"Water System" means all utility property now or hereafter used by the City to supply water within or without the corporate limits of the City, and any power generating facilities which are operated in connection with property which supplies water. However, the Water System does not include any Separate Utility System or the hydroelectric turbines and related facilities on the Bull Run River which were originally financed with the City's Hydroelectric Power Revenue Bonds which were issued in 1979 in the original principal amount of \$38,000,000 and the City's Hydroelectric Power Revenue Bonds, Series B which were issued in 1980 in the original principal amount of \$17,000,000 and any improvements to those turbines and facilities.

"1997 Series A Bonds" means the City's Water System Revenue Bonds, 1997 Series A issued pursuant to Ordinance No. 171743.

"2000 Series A Bonds" means the City's Water System Revenue Bonds, 2000 Series A issued pursuant to this Master Ordinance.

B. Deposit, Pledge and Use of Gross Revenues

1. All Gross Revenues shall be deposited to and maintained in the Water Enterprise Fund, and shall be used only as described in this Section as long as any Bonds remain Outstanding. Gross Revenues in the Water Enterprise Fund shall be used on or before the following dates for the following purposes in the following order of priority:
 - a. At any time to pay Operating Expenses which are then due;
 - b. One Business Day prior to each Payment Date, the City shall credit Net Revenues to the Revenue Bond Account an amount sufficient (with amounts available in the Revenue Bond Account) to pay in full all Bond principal, interest and premium, if any, which is due to be paid on that Payment Date;
 - c. On each date specified in a schedule for installment funding of the Revenue Bond Reserve Account pursuant to Section 1.C.3.g, Net Revenues in the amount specified in that schedule shall be deposited in the Revenue Bond Reserve Account;
 - d. On the first day of each month following a Valuation Date on which the balance in the Revenue Bond Reserve Account is determined to be less than the Reserve Requirement, the City shall deposit in the Revenue Bond Reserve Account the amount required by Section 1.C.3.b;
 - e. On the day on which any rebates or penalties for Bonds are due to be paid to the United States pursuant to Section 148 of the Code, the City shall pay the amounts due from the Net Revenues;
 - f. On the dates specified in any proceedings authorizing Subordinate Obligations, the City shall transfer to the Subordinate Obligations Account the Net Revenues required by those proceedings;
 - g. One Business Day prior to any principal or interest payment date on City general obligation bonds issued pursuant to Section 11-103 of the City Charter, the City shall transfer to the Charter General Obligation Bond Account an amount sufficient to pay all principal, interest and premium, if any, due on those general obligation bonds on that payment date;
 - h. After all transfers and payments having a higher priority under this Section have been made, Net Revenues shall be applied to any franchise fees and similar charges imposed by the City on the Water System or its operations.
 - i. On the last day of fiscal year 1999-2000, the City shall transfer Net Revenues to the Capital Renewal Account in an aggregate amount of not less than

\$5,000,000. Not later than the last day of each succeeding fiscal year the City shall transfer Net Revenues to the Capital Renewal Account in an amount at least equal to the product of \$5,000,000 times the change in the consumer price index. The "change in the consumer price index" shall be calculated by dividing the Consumer Price Index-All Urban Consumers (Portland-Salem, OR-WA) for the most recently completed fiscal year by the Consumer Price Index-All Urban Consumers (Portland-Salem, OR-WA) for calendar year 1999. If the Consumer Price Index-All Urban Consumers (Portland-Salem, OR-WA) ceases to be available, the City shall select a reasonably comparable index of consumer prices.

- j. On any date, the City may transfer Net Revenues to the Rate Stabilization Account or spend Net Revenues for any other lawful purpose, but only if all deposits and payments having a higher priority under this Section have been made.

- 2. The City hereby pledges the Net Revenues to the payment of principal of, premium (if any) and interest on all Bonds. In addition, the City hereby pledges the Net Revenues available for transfer to the Revenue Bond Reserve Account to pay amounts due under any Reserve Credit Facility. Pursuant to ORS 288.594, these pledges of the Net Revenues hereby made by the City shall be valid and binding from the time of the adoption of this Master Ordinance. The Net Revenues so pledged and hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever to the fullest extent permitted by ORS 288.594(2).

C. Bond Funds and Accounts

- 1. So long as Bonds are Outstanding, the City shall maintain the Revenue Bond Account, the Revenue Bond Reserve Account, the Subordinate Obligations Account and the Charter General Obligation Bond Account as discrete accounts in the Water Enterprise Fund. Unless the City restructures the funds and accounts in the Water Enterprise Fund, the Revenue Bond Account, the Revenue Bond Reserve Account, the Subordinate Obligations Account and the Charter General Obligation Bond Account shall be maintained in the Sinking Fund.
- 2. **Revenue Bond Account.** The Revenue Bond Account shall be held by the City. Until all Bonds are paid or defeased, amounts in the Revenue Bond Account shall be used only to pay Bonds. The City shall transfer sufficient amounts from the Revenue Bond Account to the Registrar in time to permit the Registrar to pay all Bond principal, interest and premium (if any) when due in accordance with the Bonds. Amounts in the Revenue Bond Account shall be invested only in Permitted Investments. Earnings on the Revenue Bond Account shall be credited to the Revenue Bond Account.
- 3. **Revenue Bond Reserve Account.** Amounts credited to the Revenue Bond Reserve Account shall be used only to pay Bonds, and only if amounts in the Revenue Bond

Account and Net Revenues credited to other accounts in the Water Enterprise Fund are insufficient.

- a. If, on any Payment Date the amounts on deposit in the Revenue Bond Account are insufficient to pay all Bond principal of, premium (if any) and interest due on that Payment Date, the City shall transfer Net Revenues in the Water Enterprise Fund (other than amounts in the Revenue Bond Reserve Account) to the Revenue Bond Account in an amount equal to the deficiency. If the City is unable to make the transfer described by the preceding sentence, then the City shall transfer an amount equal to the deficiency from the Revenue Bond Reserve Account to the Revenue Bond Account.
- b. If the value of the investments in the Revenue Bond Reserve Account on a Valuation Date is less than the Reserve Requirement, the City shall begin making substantially equal monthly transfers of Net Revenues to the Revenue Bond Reserve Account in accordance with Section 1.B.1.d.
 - (i) Transfers to the Revenue Bond Reserve Account shall be applied first, to reimburse the Providers of any Reserve Credit Facilities *pro rata* for amounts advanced under the Reserve Credit Facility; second, to replenish the balance in the Revenue Bond Reserve Account with cash or Permitted Investments; and third to pay any other amounts owed under a Reserve Credit Facility (including any interest, fees and penalties associated with any draw under a Reserve Credit Facility).
 - (ii) The first transfer shall be made not later than the first day of the month following the valuation date, and the transfers shall continue until the balance in the Revenue Bond Reserve Account equals the Reserve Requirement.
 - (iii) If the deficiency is due to a transfer from the Revenue Bond Reserve Account to the Revenue Bond Account pursuant to Section 1.C.3.a, each transfer to the Revenue Bond Reserve Account under Section 1.B.1.d shall be at least equal to one twelfth of the difference between the Reserve Requirement and the balance in the Reserve Subaccount on the Valuation Date. The "difference between the Reserve Requirement and the balance in the Reserve Subaccount on the Valuation Date" shall be calculated by including all amounts then owed under Reserve Credit Facilities, including any interest, fees and penalties associated with any draws under a Reserve Credit Facilities.
 - (iv) If the deficiency is due to a change in the value of investments, each transfer to the Revenue Bond Reserve Account shall be at least equal to one fourth of the difference between the Reserve Requirement and the balance in the Revenue Bond Reserve Account on the Valuation Date.

- c. If the value of the investments in the Reserve Account on a Valuation Date exceeds the Reserve Requirement, the City may transfer the excess to any account of the Water Enterprise Fund.
- d. Moneys in the Revenue Bond Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds. Earnings on the Revenue Bond Reserve Account shall be credited to the Revenue Bond Reserve Account whenever the balance in that account is less than the Reserve Requirement. Otherwise earnings shall be credited to the Revenue Bond Account.
- e. Permitted Investments in the Revenue Bond Reserve Account shall be valued on each Valuation Date in the following manner:
 - (i) Demand deposits, deposits in the Oregon Short Term Fund and investments which mature in two years or less after the Valuation Date shall be valued at their face amount, plus accrued interest;
 - (ii) Investments which mature more than two years after the Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times) shall be valued at the average of their most recently published bid and asked prices;
 - (iii) Investments which mature more than two years after the Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
 - (iv) Reserve Credit Facilities shall be valued at the amount which is available to be drawn or paid under them;
 - (v) Certificates of deposit and bankers acceptances which mature more than two years after the Valuation Date shall be valued at their face amount, plus accrued interest; and
 - (vi) Any investment which is not specified above and which matures more than two years after the Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
- f. Withdrawals from the Revenue Bond Reserve Account shall be made in the following order of priority:
 - (i) *First*, from any cash on deposit in the Revenue Bond Reserve Account;

- (ii) *Second*, from the liquidation proceeds of any Permitted Investments on deposit in such Revenue Bond Reserve Account; and
 - (iii) *Third*, from moneys drawn or paid pro-rata under any Reserve Credit Facilities.
 - g. All amounts on deposit in the Revenue Bond Reserve Account may be applied to the final payment (whether at maturity, by prior Redemption or by means of a defeasance as provided in Section 1.P hereof) of Outstanding Bonds. Amounts so applied shall be credited against the amounts the City is required to transfer into the Revenue Bond Account under Section 1.B.1.b.
 - h. Any Ordinance authorizing the issuance of a Series of Bonds shall require deposits into the Revenue Bond Reserve Account in amounts sufficient to make the balance in the Revenue Bond Reserve Account at least equal to the Reserve Requirement. The deposit required by this Section 1.C.3.g may be made in not more than five annual installments, with the final installment due not later than the fifth anniversary of the issuance of the Series of Bonds. If the City elects to fund the portion of the Reserve Requirement which is allocable to a Series of Bonds in installments, the election and the schedule for such deposits shall be stated prominently in the proceedings authorizing the Series of Bonds.
4. **Subordinate Obligations Account.** If the City issues Subordinate Obligations, the City shall create and maintain the Subordinate Obligations Account as long as the Subordinate Obligations are outstanding. The Subordinate Obligations Account may be divided into subaccounts, and the City may establish priorities for funding the subaccounts in the Subordinate Obligations Subaccount. Net Revenues shall be deposited into the Subordinate Obligations Account only as permitted by Section 1.B.1.f. Earnings on the Subordinate Obligations Account shall be credited as provided in the proceedings authorizing the Subordinate Obligations.
 5. **Charter General Obligation Bond Account.** The City shall maintain a Charter General Obligation Bond Account, into which it shall deposit Net Revenues sufficient to pay bonds issued under Section 11-103 of the City Charter as provided in Section 1.B.1.e. Amounts may be withdrawn from the Charter General Obligation Bond Account to pay Bonds or Subordinate Obligations only if Net Revenues available in the Water Enterprise Fund are insufficient.
 6. **Rate Stabilization Account.** The Rate Stabilization Account is hereby created within the Water Enterprise Fund. Net Revenues may be transferred to the Rate Stabilization Account at the option of the City as permitted by Section 1.B.1.j. Money in the Rate Stabilization Account may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used. Deposits to and withdrawals from the Rate Stabilization Account that occur within ninety days after the end of a Fiscal Year may be

treated as occurring within the most recently ended Fiscal Year. Earnings on the Rate Stabilization Account shall be credited to the Water Enterprise Fund.

7. **Capital Renewal Account.** The Capital Renewal Account is hereby created within the Water Enterprise Fund. Net Revenues shall be transferred to the Capital Renewal Account as provided in Section 1.B.1.i. Amounts in the Capital Renewal Account shall be used solely to pay for capital costs of the Water System, including costs repairing, replacing, improving and expanding the Water System. Earnings on the Capital Renewal Account shall be credited to the Water Enterprise Fund.

D. Rate Covenant; Treatment of Capital Charges.

1. The City covenants for the benefit of the Owners that it will establish and maintain rates and charges in connection with the operation of the Water System which are sufficient to permit the City to pay all Operating Expenses and all lawful charges against the Net Revenues, and to make all transfers required by this Ordinance to the Revenue Bond Account, the Revenue Bond Reserve Account, the Subordinate Obligations Account, the Charter General Obligation Bond Account and the Capital Renewal Account, and to pay any franchise fees or similar charges imposed by the City on the Water System or its operations.
2. The City covenants for the benefit of the Owners of all Bonds that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues each Fiscal Year at least equal to one hundred twenty-five percent (125.00%) of Annual Debt Service due in that Fiscal Year.
3. Not later than ninety days after the end of each fiscal year the City shall file a certified report with the Director and the City Auditor which demonstrates whether the City has complied with Section 1.D.2 during that fiscal year. If the report demonstrates that the City has not complied with Section 1.D.2 during that fiscal year, it shall not constitute an Event of Default if:
 - a. Within thirty days after the report is filed, the City engages the services of a Qualified Consultant;
 - b. Within sixty days after the report is filed, the Qualified Consultant recommends a schedule of rates and charges or other actions which the Qualified Consultant reasonably projects will permit the City to comply with Section 1.D.2 for the then current fiscal year; and
 - c. Within ninety days after the report is filed the City implements the recommendations of the Qualified Consultant.
4. The City may elect to treat Capital Charges in two ways: the Capital Charges may be treated as Gross Revenues; or, the City may exclude the Capital Charges from Gross Revenues, borrow money and issue obligations which are secured by those charges, and

treat the net proceeds of the borrowing as Gross Revenues. Capital Charges which are treated as Gross Revenues are defined as "Capital Charge Revenues;" Capital Charges which are committed to pay obligations, the proceeds of which are treated as a Gross Revenue, are defined as "Committed Capital Charges;" the net proceeds of those obligations which are treated as Gross Revenues are defined as "Capital Charge Proceeds;" and the obligations which produce Capital Charge Proceeds are defined as "Capital Charge Obligations." Capital Charge Revenues and the net proceeds of Capital Charge Obligations shall be deposited in the Water Enterprise Fund:

5. An election to treat an issue of obligations as Capital Charge Obligations may be made in the proceedings authorizing issuance of the Capital Charge Obligations; if it is not so made, it will be deemed made by the manner in which the proceeds of the obligations are treated in the report filed with the Director and the City Auditor pursuant to Section 1.D.3 of this ordinance for the year in which the obligations are issued. This election may be changed only if the City demonstrates that the change would not have caused the City to fail to meet the requirements of Section 1.D.2, in any fiscal year prior to the fiscal year in which the change is made, if the change had been made on the date the obligations were issued.

E. Parity Obligations

1. The City may issue Parity Obligations to provide funds for any purpose relating to the Water System, but only if:
 - a. No Event of Default under this Master Ordinance or any Supplemental Ordinance has occurred and is continuing;
 - b. At the time of the issuance of the Parity Obligations there is no deficiency in the Revenue Bond Account, and the balance in the Revenue Bond Reserve Account is at least equal to the Reserve Requirement;
 - c. The Supplemental Ordinance authorizing the issuance of the Bonds contains a covenant requiring the City to charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues at least equal to one hundred twenty five percent (125.00%) of Annual Debt Service due in that Fiscal Year, with the proposed Parity Obligations treated as Outstanding, in accordance with Section 1.D.2; and,
 - d. There shall have been filed with the City either:
 - (i) A certificate of the Director stating that Net Revenues (adjusted as provided in the second sentence of this Section 1.E.2) for the Base Period were not less than one hundred twenty-five percent (125.00%) of the average Annual Debt Service on all Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding; or,

(ii) A certificate or opinion of a Qualified Consultant stating:

- aa. The amount of the Adjusted Net Revenues computed as provided in Section 1.E.3 below; and,
- bb. That the amount shown in Section 1.E.1.d(i) is not less than the sum of one hundred twenty-five percent (125.00%) of the average Annual Debt Service on all Outstanding Bonds, with the Proposed Parity Obligations treated as Outstanding.

2. Net Revenues may be adjusted for purposes of Section 1.E.1.d(i) by adding any Net Revenues the Director calculates the City would have had during the Base Period because of increases in Water System rates, fees and charges which took effect after the beginning of the Base Period. However, no adjustment shall be made for these increases unless they have been approved by the Council prior to delivery of the Proposed Parity Obligations and are required to take effect no later than sixty days after the delivery of the proposed Parity Obligations.
3. Adjusted Net Revenues for purposes of Section 1.E.1.d(ii) shall be computed by adjusting the Net Revenues for the Base Period in any of the following ways:
 - a. If the Bonds are being issued for the purpose of acquiring operating Water System utility properties having an earnings record, the Qualified Consultant may estimate the effect on the Net Revenues for the Base Period if the Water System utility properties had been part of the Water System during the Base Period. The estimate shall be based on the operating experience and records of the City and any available financial and records relating to the Water System utility properties which will be acquired;
 - b. To reflect any changes in rates and charges have been adopted by the City Council and which
 - (i) Are in effect on the date of sale and delivery of the Bonds, or
 - (ii) Are to go into effect not later than twelve months after such date, and were not in effect during the entire Base Period;
 - c. To reflect any customers added to the Water System after the beginning of the Base Period and prior to the date of the Qualified Consultant's certificate; and
 - d. If extensions of or additions to the Water System are in the process of construction on the date of the Qualified Consultant's certificate, or if the proceeds of the Bonds being issued are to be used to acquire or construct extensions of or additions to the Water System, to reflect any additional Net Revenues not included in the preceding paragraphs that will be derived from such additions and extensions (after deducting the estimated increase in

operating and maintenance expenses resulting from such additions and extensions).

4. The City may issue Parity Obligations to refund Outstanding Bonds without complying with Section 1.E.1.a, Section 1.E.1.b, Section 1.E.1.c, and Section 1.E.1.d if the refunded Bonds are defeased on the date of delivery of the refunding Parity Obligations and if the Annual Debt Service on the refunding Parity Obligations does not exceed the Annual Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.
5. A Derivative Product may be a Parity Derivative Product and a Parity Obligation if the obligation to make City Payments under the Derivative Product qualifies as a Parity Obligation under Section 1.E.1, after the Reciprocal Payments under the Derivative Product are applied to reduce Annual Debt Service. Any Parity Derivative Product shall clearly state that it is a Parity Derivative Product and has qualified as a Parity Obligation under Section 1.E of this Master Ordinance.
6. All Parity Obligations issued in accordance with this Section shall have a lien on the Net Revenues which is equal to the lien of all other Outstanding Bonds.

F. Subordinate Obligations

The City may issue Subordinate Obligations only if:

1. The Subordinate Obligations are payable solely from amounts permitted to be deposited in the Subordinate Obligations Account pursuant to Section 1.B.1.f;
2. The Subordinate Obligations are not subject to acceleration; and
3. The Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Net Revenues which is subordinate to the lien on, and pledge of, the Net Revenues for the Bonds.

G. Separate Utility System

The City may declare property which the City owns and is part of the Water System (but has a value of less than five percent of the Water System at the time of the declaration), and property which the City has not yet acquired but would otherwise become part of the Water System, to be part of a Separate Utility System. The City may pay costs of acquiring, operating and maintaining Separate Utility Systems from Net Revenues, but only if there is no deficit in the Revenue Bond Account or the Revenue Bond Reserve Account. The City may issue obligations which are secured by the revenues produced by the Separate Utility System, and may pledge the Separate Utility System revenues to pay those obligations. In addition, the City may issue Subordinate Obligations to pay for costs of a Separate Utility System, and may pledge the revenues of the Separate Utility System to pay the Subordinate Obligations.

11. General Covenants

The City hereby covenants and agrees with the Owners of all Outstanding Bonds as follows:

1. That it will promptly cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Master Ordinance and any Supplemental Ordinance;
2. That it will maintain complete books and records relating to the operation of the Water System and all City funds and accounts in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Bondowners;
3. That it will not issue Bonds or other obligations having a claim superior to the claim of the Bonds upon the Net Revenues;
4. That it will promptly deposit into all funds and accounts all sums required to be so deposited;
5. That it shall cause the Water System to be operated at all times in a safe, sound, efficient and economic manner in compliance with all health, safety and environmental laws, regulatory body rules, regulatory body orders and court orders applicable to the City's operation and ownership of the Water System, and shall cause the Water System to be maintained, preserved, reconstructed, expanded and kept, with all appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time cause to be made, without undue deferral, all necessary or proper repairs, replacements and renewals so that at all times the operation of the Water System shall be properly and advantageously conducted;
6. That it will not enter into any agreement to provide Water System products or services at a discount from published rate schedules, and that it will not provide free Water System products or services except for fire suppression and in case of emergencies;
7. That it will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties;
 - a. The net proceeds of insurance against accident to or destruction of the Water System shall be used to repair or rebuild the damaged or destroyed Water System, and to the extent not so applied, will be applied to the payment or redemption of the Bonds on a pro rata basis;
 - b. Insurance described in Section 1.H.7 shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish

such fund or funds or reserves which it deems are necessary to provide for its share of any such self-insurance;

8. The City will not, nor will it permit others to, sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Water System except:
 - a. The City may dispose of all or substantially all of the Water System, only if the City pays all Bonds or defeases them pursuant to Section 1.K;
 - b. Except as provided in Section 1.H.8.c, the City will not dispose of any part of the Water System in excess of 5% of the value of the Water System in service unless prior to such disposition either:
 - (i) There has been filed with the City a certificate of a Qualified Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenants contained in Section 1.D.1 of this Master Ordinance; or
 - (ii) Provision is made for the payment, redemption or other defeasance of a principal amount of Bonds equal to the greater of the following amounts:
 - aa. An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Sinking Fund) that the Gross Revenues attributable to the part of the Water System sold or disposed of for the 12 preceding months bears to the total Gross Revenues for such period; or
 - bb. An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Water System sold or disposed of bears to the book value of the Water System immediately prior to such sale or disposition;
 - c. The City may dispose of any portion of the Water System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Water System;
 - d. If the ownership of all or part of the Water System is transferred from the City through the operation of law, the City shall to the extent authorized by law, reconstruct or replace such transferred portion using any proceeds of the transfer unless the City Council reasonably determines that such reconstruction or replacement is not in the best interest of the City and the Bondowners, in which case any proceeds shall be used for the payment, redemption or defeasance of the Bonds;

9. The City may enter into operating leases and capital leases for assets relating to the Water System. Payments due under operating leases shall be treated as Operating Expenses. Payments due under capital leases shall be treated as Operating Expenses only if the capital leases have a term of ten years or less, and the total amount of lease payments under capital leases which are treated as Operating Expenses in a fiscal year does not exceed ten percent of the Operating Expenses for the prior fiscal year. For purposes of the preceding sentence, Operating Expenses shall be calculated by excluding any capital lease payments.

I. Events of Default and Remedies

1. **Continuous Operation Essential.** The City Council of the City hereby finds and determines that the continuous operation of the Water System and the collection, deposit and disbursement of the Net Revenues in the manner provided in this Master Ordinance and in any Supplemental Ordinance are essential to the payment and security of the Bonds, and the failure or refusal of the City to perform the covenants and obligations contained in this Master Ordinance or any such Supplemental Ordinance will endanger the necessary continuous operation of the Water System and the application of the Net Revenues to the operation of the Water System and the payment of the Bonds.

2. **Events of Default.** The following shall constitute "Events of Default":

- a. If the City shall fail to pay any Bond principal or interest when due, either at maturity, upon exercise of a right of tender, by proceedings for redemption or otherwise;
- b. Except as provided in Section 1.D.3 and Section 1.I.3, if the City shall default in the observance and performance of any other of its covenants, conditions and agreements in this Master Ordinance, if such default continues for ninety (90) days after the City receives a written notice, specifying the Event of Default and demanding the cure of such default, from the Bondowners Committee or from the Owners of not less than 20% in aggregate principal amount of the Bonds Outstanding;
- c. If the City shall sell, transfer, assign or convey any properties constituting the Water System in violation of Section 1.H.8;
- d. If an order, judgment or decree shall be entered by any court of competent jurisdiction:
 - (i) Appointing a receiver, trustee or liquidator for the City or the whole or any part of the Water System;
 - (ii) Approving a petition filed against the City seeking the bankruptcy, arrangement or reorganization of the City under any applicable law of the United States or the State; or

- (iii) Assuming custody or control of the City or of the whole or any part of the Water System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within sixty (60) days from the date of the entry of such order, judgment or decree; or

e. If the City shall:

- (i) Admit in writing its inability to pay its debts generally as they become due;
- (ii) File a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;
- (iii) Make an assignment for the benefit of its creditors;
- (iv) Consent to the appointment of a receiver of the whole or any part of the Water System; or
- (v) Consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City or of the whole or any part of the Water System.

3. **Exception.** It shall not constitute an Event of Default under Section 1.1.2.b if the default cannot practicably be remedied within ninety days after the city receives notice of the default, so long as the City promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied.
4. **Remedies.** If an Event of Default occurs, any Bondowner may exercise any remedy available at law or in equity. However, the Bonds shall not be subject to acceleration.
5. **Books of City Open to Inspection.**
 - a. The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records relating to the Water System shall at all reasonable times be subject to the inspection and use of the Bondowners Committee and any persons holding at least twenty percent (20%) of the principal amount of Outstanding Bonds and their respective agents and attorneys.
 - b. The City covenants that if the Event of Default shall happen and shall not have been remedied, the City will continue to account, as a trustee of an express trust, for all Net Revenues and other moneys, securities and funds pledged under the Master Ordinance.

6. Waivers of Event of Default.

- a. No delay or omission of any Bondowner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Section 1.1 to the Bondowners may be exercised from time to time and as often as may be deemed expedient by the Bondowners.
- b. The owners of not less than fifty percent (50%) in principal amount of the affected Bonds that are at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the owners of all of affected Bonds, waive any past default under this Master Ordinance with respect to such Bonds and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

7. Remedies Granted in Master Ordinance Not Exclusive.

No remedy by the terms of the Master Ordinance conferred upon or reserved to the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Ordinance or existing at law or in equity or by statute on or after the date of adoption of the Master Ordinance.

J. Amendment of Master Ordinance

- 1. This Master Ordinance may be amended by Supplemental Ordinance without the consent of any Bondowners for any one or more of the following purposes:
 - a. To cure any ambiguity or formal defect or omission in this Master Ordinance;
 - b. To add to the covenants and agreements of the City in this Master Ordinance, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Master Ordinance as theretofore in effect;
 - c. To authorize issuance of Bonds or Subordinate Obligations;
 - d. To authorize Parity Derivative Products, and specify the rights and duties of the parties to a Parity Derivative Product;
 - e. To modify, amend or supplement this Master Ordinance or any Supplemental Ordinance to qualify this Master Ordinance under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America;

- f. To confirm, as further assurance, any security interest or pledge created under this Master Ordinance or any Supplemental Ordinance;
 - g. To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the owners of any Outstanding Bonds;
 - h. So long as a Credit Facility (other than a Reserve Credit Facility) is in full force and effect with respect to the Bonds affected by such Supplemental Ordinance, to make any other change which is consented to in writing by the issuer of such Credit Facility other than any change which:
 - (i) Would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies;
 - (ii) Changes the maturity (except as permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility;
 - (iii) Materially and adversely affects the rights and security afforded to the Owners of any Outstanding Bonds not secured by such Credit Facility; or
 - (iv) To modify any of the provisions of this Master Ordinance or any Supplemental Ordinance in any other respect whatever, as long as the modification shall take effect only after all affected Outstanding Bonds cease to be Outstanding.
2. This Master Ordinance may be amended for any other purpose only upon consent of Bondowners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds outstanding; provided, however, that no amendment shall be valid without the consent of Bondowners of 100 percent (100%) of the aggregate principal amount of the Bonds outstanding which:
- a. Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Bondowner; or
 - b. Reduces the percent of Bondowners required to approve amendatory Ordinances.
3. For purposes of Section 1.J.2, and subject to Section 1.J.4, the initial purchaser of a series of Bonds may be treated as the Owner of that Series at the time that series of Bonds is delivered in exchange for payment.

4. Except as otherwise expressly provided in a Supplemental Ordinance, as long as a Credit Facility (other than a Reserve Credit Facility) securing all or a portion of any Outstanding Bonds is in effect, the issuer of such Credit Facility shall be deemed to be the Bondowner of the Bonds secured by such Credit Facility:
- a. At all times for the purpose of the execution and delivery of a Supplemental Ordinance or of any amendment, change or modification of this Master Ordinance or the initiation by Bondowners of any action which under this Master Ordinance requires the written approval or consent of or can be initiated by the Bondowners of at least a majority in principal amount of the affected Bonds at the time Outstanding; and following an Event of Default for all other purposes;
 - b. Notwithstanding the foregoing, the issuer of such Credit Facility shall not be deemed to be a Bondowner secured thereby with respect to any such Supplemental Ordinance or of any amendment, change or modification of this Master Ordinance which:
 - (i) Would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies; or
 - (ii) Changes the maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility; or
 - (iii) Reduces the percentage or otherwise affects the classes of affected Bonds, the consent of the Bondowners of which is required to effect any such modification or amendment.
 - c. In addition and notwithstanding the foregoing, no issuer of a Credit Facility given as security for any Bonds shall be entitled to exercise any rights under this Section during any period where:
 - (i) The Credit Agreement or Credit Facility to which such Credit Provider is a party shall not be in full force and effect;
 - (ii) Such Credit Provider shall have filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law;
 - (iii) Such Credit Provider shall, for any reason, have failed or refused to honor a proper demand for payment under such Credit Facility; or
 - (iv) An order or decree shall have been entered, with the consent or acquiescence of such Credit Provider, appointing a receiver or receivers or the assets of the Credit Provider, or if such order or decree having been

entered without the consent or acquiescence of such Credit Provider, shall not have been vacated or discharged or stayed within ninety (90) days after the entry thereof.

- d. For purposes of determining the percentage of Bondowners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Ordinance, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the Registrar sends out notice of requesting consent, waiver or other action as provided herein.

K. Defeasance

The City may defease and deem all or any portion of the Outstanding Bonds to be paid by:

1. Irrevocably depositing cash or noncallable, nonprepayable Direct Obligations in escrow with an independent escrow agent which are calculated to be sufficient for the payment of Bonds which are to be defeased; and,
2. Filing with the escrow agent an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Direct Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and,
3. Filing with the escrow agent an opinion of nationally recognized bond counsel that the proposed defeasance will not cause interest on the defeased Bonds to be includable in gross income under the Code.

If Bonds are defeased under this Section, all obligations of the City with respect to those defeased Bonds shall cease and terminate, except for the obligation of the City, the escrow agent and the Registrar to pay the defeased Bonds from the amounts deposited in escrow, and the obligation of the Registrar to continue to transfer bonds as provided in this Master Ordinance.

L. BEO System

1. Unless required otherwise by a Supplemental Ordinance, all Bonds shall be subject to the BEO System pursuant to the provisions of this Section 1.L
2. The Bonds shall be initially issued as a BEO security issue with no Bonds being made available to the Bondowners upon the execution and delivery of the letter of representations among the Registrar, DTC and the City. Ownership of the Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on the DTC BEO system. The Bonds shall be initially issued in the form of separate single fully registered typewritten Bonds for each maturity of the Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit B with such changes as the Director may approve. Each Global Bond shall be

registered in the name of CEDE & CO. as nominee (the "Nominee") of DTC (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the "Depository") as the "Registered Owner", and such Global Bonds shall be lodged with the Depository until early redemption or maturity of the Bond issue. The Registrar shall remit payment for the maturing principal and interest on the Bonds to the Bondowner for distribution by the Nominee for the benefit of the owners (the "Beneficial Owner" or "Record Owner") by recorded entry on the books of the Depository participants and correspondents. While the Bonds are in BEO form, the Bonds will be available in denominations of \$5,000 or any integral multiple thereof.

3. In the event the Depository determines not to continue to act as securities depository for the Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the BEO system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a BEO system, the Bonds shall no longer be a BEO issue but shall be registered in the registration books maintained by the Registrar in the name of the Bondowner as appearing on the Bond register and thereafter in the name or names of the Bondowners of the Bonds transferring or exchanging Bonds.
4. While the bonds are in BEO form, the City and the Registrar shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Registered Owner on behalf of which such participants or correspondents act as agent for the Bondowner with respect to:
 - a. The accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the Bonds;
 - b. The delivery to any participant or correspondent or any other person, other than an Bondowner as shown in the registration books maintained by the Registrar, of any notice with respect to the Bonds, including any notice of prepayment;
 - c. The selection by the Depository of the beneficial interest in Bonds to be redeemed prior to maturity; or
 - d. The payment to any participant, correspondent, or any other person other than the owner of the Bonds as shown in the registration books maintained by the Registrar, of any amount with respect to principal of or interest on the Bonds.
5. Notwithstanding the BEO system, the City may treat and consider the Registered Owner in whose name each Bond is registered in the registration books maintained by the Registrar as the Bondowner and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or for the purpose of registering transfers with respect to such Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal and interest on the Bonds only to or upon the order of the Registered Owner, as shown in the registration books maintained by the Registrar, or

their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

6. Upon delivery by the Depository to the City and to the Bondowner of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Master Ordinance shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Registrar. The Depository shall tender the Bonds it holds to the Registrar for reregistration.

M. Redemption of Bonds

1. Unless required otherwise by a Supplemental Ordinance, all Bonds shall be subject to the redemption terms of this Section I.M.
2. **Optional.** The City reserves the right to redeem all or any portion of the Bonds with maturities selected by the City and by lot within a maturity at the redemption prices and on the dates established by the Director pursuant to Section I.S.5.
3. **Mandatory.** If the Director establishes pursuant to Section I.S.1 that Bonds are subject to mandatory redemption prior to maturity, the Director shall establish the schedule for mandatory redemption of the Bonds. The Registrar shall, without further action by the City, select the particular Bonds to be redeemed in accordance with the mandatory redemption schedule by lot, call the selected Bonds, and give notice of their redemption in accordance with this Section I.M.
4. **Crediting Optional Redemptions and Purchases Toward Mandatory Redemption Requirement.** If certain maturities of Bonds are subject to both optional and mandatory redemption, the City may elect to apply any of those Bonds which it has previously optionally redeemed. In addition, if the City purchases Bonds which are subject to mandatory redemption, the City may elect to apply against the mandatory redemption requirement any such Bonds which it has previously purchased. If the City makes such an election, it shall notify the Registrar not less than sixty days prior to the mandatory redemption date to which the election applies.
5. **Notice of Redemption (Depository).** So long as the BEO-System remains in effect with respect to the Bonds, the City shall notify the Registrar of any early redemption not less than 40 days prior to the date fixed for redemption, the Registrar shall notify the Depository of any early redemption not less than 30 but no more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the letter of representations submitted to DTC in connection with the issuance of the Bonds.
6. **Notice of Redemption (No Depository).** During any period in which the BEO System is not in effect with respect to the Bonds, unless waived by any Owner of the Bonds to be

redeemed, official notice of any redemption of Bonds shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed, at the address shown on the Bond Register or at such other address as is furnished in writing by such owner to the Registrar. The City shall notify the Registrar of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:

- a. The redemption date;
- b. The redemption price;
- c. If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- d. That on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and
- e. The place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

7. **Deposit of Funds.** The City shall deposit with the Registrar, on or before the redemption date, an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.
8. **Effect of Redemption.** Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued. Notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any such Bonds. From and after such notice having been given and such deposit having been made, the Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the City shall be under no further liability in respect thereof.

N. Authentication, Registration and Transfer

1. The provisions of this Section 1.N apply only if the Bonds cease to be a BEO issue, and unless otherwise specified in a Supplemental Indenture.
2. No Bond shall be entitled to any right or benefit under this Master Ordinance unless it shall have been authenticated by an authorized officer of the Registrar. The Registrar shall authenticate all Bonds to be delivered at closing, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Master Ordinance.
3. All Bonds shall be in registered form. Bank of America Oregon is hereby appointed to serve as Registrar for the Bonds. A successor Registrar may be appointed for the Bonds by ordinance or resolution of the City. The Registrar shall provide notice to Bondowners of any change in the Registrar not later than the Bond payment date following the change in Registrar.
4. The ownership of all Bonds shall be entered in the Bond register maintained by the Registrar and the City and Registrar may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
5. The Registrar shall mail each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Bondowner, as that name and address appear on the Bond register as of the Record Date. If payment is so mailed, neither the City nor the Registrar shall have any further liability to any party for such payment.
6. Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different authorized denominations, and Bonds may be transferred to other owners if the Bondowner submits the following to the Registrar:
 - a. Written instructions for exchange or transfer satisfactory to the Registrar, signed by the Bondowner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Registrar; and
 - b. The Bonds to be exchanged or transferred.
7. The Registrar shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following the payment date.
8. The Registrar shall not be required to exchange or transfer any Bonds which have been designated for redemption if such Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.

9. For purposes of this section, Bonds shall be considered submitted to the Registrar on the date the Registrar actually receives the materials described in Section 1.N.6.
10. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Bondowners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

O. Disposition of Bond Proceeds and Deposit to the Construction Fund

1. The Bond proceeds shall be applied as follows:
 - a. Interest accrued from the date of the Bonds until the date of closing shall be placed in the Revenue Bond Account and used to pay Bond interest on the next Interest Payment Date.
 - b. An amount of proceeds of the Bonds required to make the balance in the Revenue Bond Reserve Account equal to the Reserve Requirement shall be deposited in the Revenue Bond Reserve Account.
 - c. The balance of the Bond proceeds shall be placed in the Construction Fund, and shall be disbursed only to finance Projects and costs incurred in connection with the issuance of the Bonds.
2. Earnings from investment of the funds in the Construction Fund shall be maintained in the Construction Fund, and shall be treated and disbursed as Bond proceeds. Construction Fund balances attributable to Bond proceeds which are not needed for the Projects may be transferred to the Revenue Bond Account.

P. The Series 1993 Bonds

1. Pursuant to the authority of Section 12.201 of the City Charter, the City Council authorized the issuance of the City of Portland, Oregon Water System Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). The aggregate principal amount of the Series 1993 Bonds could not exceed Twenty Five Million Dollars (\$25,000,000) and the true interest cost could not exceed eight percent (8.00%) per annum. The Series 1993 Bonds are Bonds as defined in this Master Ordinance, and have the terms established by the Director pursuant to Section 19 of Ordinance No. 166992.
2. The Series 1993 Bonds are special obligations of the City, and are payable solely from the Net Revenues and amounts required to be deposited in the Revenue Bond Account and Revenue Bond Reserve Account as required and as provided by this Master Ordinance.
3. The Series 1993 Bonds were signed with the facsimile signatures of the Mayor and the City Auditor.

4. Tax-Exempt Status: 1993 Facility.

- a. The City covenanted for the benefit of the Owners of the Series 1993 Bonds to comply with all provisions of the Code which are required for interest on the Series 1993 Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, the City relied on an opinion of Bond Counsel. The City made the following specific covenants with respect to the Code:
 - (i) The City will not take any action or omit any action if it would cause the Series 1993 Bonds to become "arbitrage bonds" under Section 148 of the Code.
 - (ii) The City shall operate the facilities financed with the Series 1993 Bonds so that the Series 1993 Bonds do not become private activity bonds within the meaning of Section 141 of the Code.
 - (iii) The City shall pay, when due, all rebates and penalties with respect to the Series 1993 Bonds which are required by Section 148(f) of the Code.
- b. The covenants contained in Section I.P.4.a and any covenants in the closing documents for the Series 1993 Bonds constitute contracts with the owners of the Series 1993 Bonds, and shall be enforceable by them.
- c. The City covenanted with the Municipal Bond Investors Assurance Corporation and its successors ("MBIA") that, so long as the Reserve Credit Facility issued by MBIA for the Series 1993 Bonds (the "1993 Facility") is in effect:
 - (i) The City may amend this ordinance to provide for the issuance of Parity Obligations without the consent of MBIA; however, the City shall not amend this Master Ordinance for any other purpose without the prior written consent of MBIA.
 - (ii) The City shall require the Registrar to maintain adequate records, verified by MBIA, as to the amount available to be drawn at any given time under the 1993 Facility and as to the amounts paid and owing to MBIA under the terms of the Financial Guaranty Agreement (the "1993 Guaranty Agreement") executed by the City and MBIA in connection with the 1993 Facility.
 - (iii) The City will not exercise its option to redeem Bonds while amounts are owed to MBIA under the 1993 Guaranty Agreement.
 - (iv) If a draw will be required under the 1993 Facility, the City shall notify the Registrar at least four business days in advance, and City shall instruct the

Registrar to notify MBIA at least three days prior to the date on which funds are required to be delivered to the Registrar.

- (v) The City shall make provision for MBIA to be paid all amounts owed to it under the terms of the Guaranty Agreement before the City terminates this Master Ordinance.

Q. The Series 1995 Bonds

1. Pursuant to the authority of Section 12.201 of the City Charter, the City Council authorized the issuance of the City of Portland, Oregon Water System Revenue Bonds, Series 1995 (the "Series 1995 Bonds"). The aggregate principal amount of the Series 1995 Bonds could not exceed TWENTY MILLION DOLLARS (\$20,000,000) and the true interest cost could not exceed eight percent (8.00%) per annum. The Series 1995 Bonds are "Bonds" and "Parity Obligations" as defined in this Master Ordinance, and have the terms established by the Director pursuant to Section 1.C.2. of Ordinance No. 169398.
2. The Series 1995 Bonds are special obligations of the City, and are payable solely from the Net Revenues and amounts required to be deposited in the Revenue Bond Account and Revenue Bond Reserve Account as required and as provided by this Master Ordinance.
3. The Series 1995 Bonds were signed with the facsimile signatures of the Mayor and the City Auditor.
4. Tax-Exempt Status:
 - a. The City covenanted for the benefit of the Owners of the Series 1995 Bonds to comply with all provisions of the Code which are required for interest on the Series 1995 Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, the City relied on an opinion of Bond Counsel. The City made the following specific covenants with respect to the Code:
 - (i) The City will not take any action or omit any action if it would cause the Series 1995 Bonds to become "arbitrage bonds" under Section 148 of the Code;
 - (ii) The City shall operate the facilities financed with the Series 1995 Bonds so that the Series 1995 Bonds do not become private activity bonds within the meaning of Section 141 of the Code;
 - (iii) The City shall pay, when due, all rebates and penalties with respect to the Series 1995 Bonds which are required by Section 148(f) of the Code.

- b. The covenants contained in Section 1.Q.4.a and any covenants in the closing documents for the Series 1995 Bonds constitute contracts with the owners of the Series 1995 Bonds, and shall be enforceable by them.

R. The 1997 Series A Bonds

1. Pursuant to the authority of Section 12.201 of the City Charter, City Ordinance No. 171654, and City Ordinance No. 171743, the City Council authorized the issuance of the City of Portland, Oregon Water System Revenue Bonds, 1997 Series A (the "1997 Series A Bonds"). The aggregate principal amount of the 1997 Series A Bonds could not exceed THIRTY MILLION DOLLARS (\$30,000,000) and the true interest cost could not exceed eight percent (8.00%) per annum. The 1997 Series A Bonds are "Bonds" and "Parity Obligations" as defined in this Master Ordinance, and have the terms established by the Director pursuant to Section 1.C.2. of Ordinance No. 171743.
2. The 1997 Series A Bonds are special obligations of the City, and are payable solely from the Net Revenues and amounts required to be deposited in the Revenue Bond Account and Revenue Bond Reserve Account as required and as provided by this Master Ordinance.
3. The 1997 Series A Bonds were signed with the facsimile signatures of the Mayor and the City Auditor.
4. Tax-Exempt Status:
 - a. The City covenanted for the benefit of the Owners of the 1997 Series A Bonds to comply with all provisions of the Code which are required for interest on the 1997 Series A Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, the City relied on an opinion of Bond Counsel. The City makes the following specific covenants with respect to the Code:
 - (i) The City will not take any action or omit any action if it would cause the 1997 Series A Bonds to become "arbitrage bonds" under Section 148 of the Code;
 - (ii) The City shall operate the facilities financed with the 1997 Series A Bonds so that the 1997 Series A Bonds do not become private activity bonds within the meaning of Section 141 of the Code;
 - (iii) The City shall pay, when due, all rebates and penalties with respect to the 1997 Series A Bonds which are required by Section 148(f) of the Code;
 - b. The covenants contained in Section 1.R.4.a and any covenants in the closing documents for the 1997 Series A Bonds constitute contracts with the owners of the 1997 Series A Bonds, and shall be enforceable by them.

S. The 2000 Series A Bonds

1. Pursuant to the authority of Section 12.201 of the City Charter, City Ordinance No. 173611, and this Master Ordinance, the City may issue the 2000 Series A Bonds. The aggregate principal amount of the 2000 Series A Bonds shall not exceed THIRTY FIVE MILLION DOLLARS (\$35,000,000) and the true interest cost shall not exceed eight percent (8%) per annum. The 2000 Series A Bonds shall be "Bonds" and "Parity Obligations" as defined in this Master Ordinance, and shall have the terms established by the Director pursuant to Section 1.S.5 of this Master Ordinance.
2. The 2000 Series A Bonds shall be special obligations of the City, and shall be payable solely from the Net Revenues and amounts required to be deposited in the Revenue Bond Account and Revenue Bond Reserve Account as required and as provided by this Master Ordinance.
3. The 2000 Series A Bonds shall be in substantially the form attached as Exhibit A and shall be signed with the facsimile or manual signature of the Mayor and the City Auditor or Director.
4. Tax-Exempt Status:
 - a. The City covenants for the benefit of the Owners of the 2000 Series A Bonds to comply with all provisions of the Code which are required for interest on the 2000 Series A Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, the City may rely on an opinion of Bond Counsel. The City makes the following specific covenants with respect to the Code:
 - (i) The City will not take any action or omit any action if it would cause the 2000 Series A Bonds to become "arbitrage bonds" under Section 148 of the Code;
 - (ii) The City shall operate the facilities financed with the 2000 Series A Bonds so that the 2000 Series A Bonds do not become private activity bonds within the meaning of Section 141 of the Code;
 - (iii) The City shall pay, when due, all rebates and penalties with respect to the 2000 Series A Bonds which are required by Section 148(f) of the Code.
 - b. The covenants contained in Section 1.S.4.a and any covenants in the closing documents for the 2000 Series A Bonds shall constitute contracts with the owners of the 2000 Series A Bonds, and shall be enforceable by them.

5. The Director may, on behalf of the City and without further action by the Council:
- a. Participate in the preparation of, authorize the distribution of and deem final preliminary and final official statements or other disclosure document for the 2000 Series A Bonds;
 - b. Appoint the Registrar;
 - c. Obtain a Credit Facility, including a Reserve Credit Facility, for the 2000 Series A Bonds, and enter into related agreements;
 - d. Sell the 2000 Series A Bonds on competitive bid, or appoint an underwriter and negotiate the terms of, and execute, a 2000 Series A Bond purchase agreement with the underwriter;
 - e. Establish the final principal amount, interest rates, redemption terms, payment dates and other terms of the 2000 Series A Bonds; and
 - f. Issue, sell and deliver the 2000 Series A Bonds, and execute and deliver any related certificates or documents which are reasonably required to carry out the purposes of this Master Ordinance.

T. Additional Actions

Section 2. Declaration of Emergency.

The Council declares that an emergency exists because interest rates are currently very favorable, and delay in enactment of this Ordinance will delay sale of the 2000 Series A Bonds, which could increase the City's interest costs; therefore, this Ordinance shall be in force and effect from and after its passage by Council.

Passed by the Council: **MAR 15 2000**
Mayor Vera Katz
Office of Finance and Administration
TG:EJ:Bond Counsel
March 7, 2000

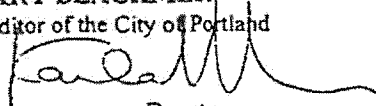
GARY BLACKMER
Auditor of the City of Portland
By 
Deputy

Exhibit A

Form of 2000 Series A Bond

No. R-

\$ _____

City of Portland
Multnomah, Washington and Clackamas Counties, Oregon
Water System Revenue Bond, 2000 Series A

Dated Date: _____ 1.
Interest Rate: _____ % per annum
Maturity Date: _____
CUSIP Number: _____
Registered Owner: Cede & Co.
Principal Amount: _____ Dollars

THE CITY OF PORTLAND, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first days of _____ and _____ in each year until maturity or prior redemption, commencing _____ 1. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, on each payment date. Such payments shall be made payable to the order of "Cede & Co."

This 2000 Series A Bond is not a general obligation or liability of the City, and is payable solely from the Net Revenues of the Water System as provided in Ordinance No. _____ of the City adopted <<Ordinance Date>> (the "Ordinance"). The City covenants and agrees with the owner of this 2000 Series A Bond that it will keep and perform all of the covenants in this 2000 Series A Bond and in the Ordinance. The City has pledged the Net Revenues of the Water System to the payment of principal and interest on this 2000 Series A Bond.

Notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Ordinance. Interest on any 2000 Series A Bond or 2000 Series A Bonds so called for redemption shall cease on the redemption date designated in the notice. The City's paying agent and registrar, which is currently, in Portland, Oregon (the "Registrar"), will notify The Depository Trust Company promptly of any 2000 Series A Bonds called for redemption.

The 2000 Series A Bonds are initially issued as a book-entry-only security issue with no certificates provided to the 2000 Series A Bondowners. Records of 2000 Series A Bond ownership will be maintained by the Registrar and The Depository Trust Company and its participants.

Should the book-entry-only security system be discontinued, the 2000 Series A Bonds shall be issued in the form of registered 2000 Series A Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such 2000 Series A Bonds may be exchanged for 2000 Series A Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Ordinance.

Any transfer of this 2000 Series A Bond must be registered, as provided in the Ordinance, upon the 2000 Series A Bond register kept for that purpose by the Registrar. Upon registration, a new registered 2000 Series A Bond or 2000 Series A Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Ordinance. The Registrar and the City may treat the person in whose name this 2000 Series A Bond is registered as its absolute owner for all purposes, as provided in the Ordinance.

The 2000 Series A Bondowner may exchange or transfer this 2000 Series A Bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and duly executed by the registered owner or their duly authorized attorney, at the principal corporate trust office of the Registrar in the manner and subject to the conditions set forth in the 2000 Series A Bond Ordinance.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This 2000 Series A Bond is one of a series of \$ _____,00 aggregate principal amount of Water System Revenue Bond 2000 Series A, of the City, and is issued by the City for the purpose of financing Water System facility improvements in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the charter of the City.

The City reserves the right to redeem all or any portion of the 2000 Series A Bonds maturing after _____, by lot within a maturity on _____, and on any date thereafter, at a price of _____ plus accrued interest to the date fixed for redemption.

The 2000 Series A Bonds maturing _____ shall be subject to mandatory redemption, by lot, at the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, in the amounts and on the dates set forth below:

Redemption Date

Principal Amount

2000 Series A Bonds optionally redeemed may be credited against the mandatory redemption by lot as determined by the
Paying Agent.

Notice of any call for redemption, unless waived by the owners of the 2000 Series A Bonds to be redeemed, shall be
mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the 2000 Series A Bonds, and
otherwise given as required the Ordinance and by law; however, any failure to give notice shall not invalidate the redemption of the 2000 Series
A Bonds. All 2000 Series A Bonds called for redemption shall cease to bear interest from the date designated in the notice.

The 2000 Series A Bonds are issuable in the form of registered 2000 Series A Bonds without coupons in the
denominations of \$5,000 or any integral multiple thereof. 2000 Series A Bonds may be exchanged for an equal aggregate principal amount of
registered 2000 Series A Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set
forth in the Ordinance.

Any transfer of this 2000 Series A Bond must be registered, as provided in the Ordinance, upon the 2000 Series A Bond
register kept for that purpose at the principal corporate trust office of the Registrar. This 2000 Series A Bond may be transferred only by
surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and which is executed by the registered owner
or his duly authorized attorney. Upon registration, a new registered 2000 Series A Bond or 2000 Series A Bonds, of the same series and maturity
and in the same aggregate principal amount, shall be issued to the transferee as provided in the Ordinance. The City and the Registrar may treat
the person in whose name this 2000 Series A Bond is registered on the 2000 Series A Bond Register as its absolute owner for all purposes, as
provided in the Ordinance.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to
happen, and to be performed precedent to and in the issuance of this 2000 Series A Bond have existed, have happened, and have been performed
in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; that the issue of which this 2000 Series A
Bond is a part, and all other obligations of such City, are within every debt limitation and other limits prescribed by such Constitution and
Statutes.

IN WITNESS WHEREOF, the City Council of the City of Portland, Oregon, has caused this 2000 Series A Bond to be
signed by facsimile signature of its Mayor and attested by facsimile signature of its Auditor as of the date indicated above.
City of Portland, Multnomah, Washington and Clackamas Counties Oregon

Mayor

ATTEST:

Auditor or Director

THIS 2000 SERIES A BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE
REGISTRAR IN THE SPACE INDICATED BELOW.
Dated: _____

This 2000 Series A Bond is one of a series of \$_____ aggregate principal amount of Water System Revenue
Bond, 2000 Series A, of the City, issued pursuant to the Ordinance described herein.
<<Paying Agent>>, as Registrar

Authorized Officer

174241

Assignment

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: _____

(Please insert social security or other identifying number of assignee)

this 2000 Series A Bond and does hereby irrevocably constitute and appoint _____
as attorney to transfer this 2000 Series A Bond on the books kept for registration thereof with the full power of
substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this 2000 Series A Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this 2000 Series A Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM — tenants in common

TEN ENT — as tenants by the entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

OREGON CUSTODIANS use the following:

_____ CUST UL OREG _____ MIN

as custodian for _____ (name of minor)

OR UNIF TRANS MIN ACT

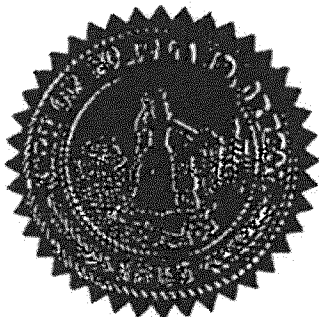
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

City Hall Room 140
1221 SW 4th Avenue
Portland, Oregon 97204

STATE OF OREGON)
COUNTY OF MULTNOMAH) SS
CITY OF PORTLAND)

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the City of Portland affixed
this April 12, 2004.



By

Deputy